

North Tyneside Council

Report to Cabinet

Date: 14 October 2019

Title: Council Tax Empty Homes Premium

Portfolio(s): Finance and Resources

Cabinet Member(s): Councillor Ray Glindon

Report from Service Area:

Resources

Responsible Officer: Janice Gillespie, Head of Resources

(Tel: (0191) 643 5701)

Wards affected: All Wards

PART 1

1.1 Executive Summary:

In November 2017 the Chancellor of the Exchequer announced the government's intention to legislate to tackle the number of empty domestic properties. Parliament introduced the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 which amended section 11b of the Local Government Finance Act 1992. These changes to the 1992 Act enabled local authorities to increase Council Tax charges by applying premiums to long term empty properties.

The purpose of this report is to seek approval from Cabinet to consult upon the introduction of a Council Tax Premium for domestic properties that have been unoccupied and unfurnished for a period in excess of two years. Local authorities now have the power to apply premiums as set out at 1.5.7 of this report.

1.2 Recommendation(s):

1.2.1 It is recommended that Cabinet:

- (a) agree that the Authority carries out consultation on the introduction of Council Tax Premiums and that the results of the consultation are brought back to Cabinet for it to consider; and
- (b) notes that any decision to introduce Council Tax Premiums is the responsibility of Full Council.

1.3 Forward Plan:

- 1.3.1 Twenty-eight days' notice of this report has been given and it first appeared on the Forward Plan that was published on 9 September 2019.

1.4 Council Plan and Policy Framework

This report links directly to priorities identified in the 2018-2020 Our North Tyneside Plan.

These are Our People; be cared for, protected and supported if they become vulnerable including if they become homeless. The proposed introduction of a Council Tax Premium is to tackle the number of properties that are left vacant for a considerable length of time and increase housing stock, which will support homeless intervention.

Our Places; be a great place to live by focusing on what is important to local people, such as tackling the derelict properties that are blighting some of our neighbourhoods.

1.5 Information:

Background

- 1.5.1 Various decision options have been taken to full Council since the power to reduce Council Tax discounts awarded in respect of empty properties became available in April 2013. In April 2013 Council took the decision to reduce empty property discounts for properties that were unoccupied less than 6 months or for those that were undergoing structural alteration, as well as removing entirely the 50% discount that had been applied for properties that had been empty for longer than six months.
- 1.5.2 In 2015 Council further reduced the period of discount available in respect of empty properties and subsequently in 2017 empty property discounts were removed altogether.
- 1.5.3 Since April 2013, local authorities have been able to apply a maximum 50% Council Tax Premium on properties which have been unoccupied and unfurnished for more than two years. To date the charging of a 50% premium was not considered viable, due to government guidance on best practice of exempting any properties from the additional premium that are actively up for sale, as well as the low collection rates of the premium elsewhere in the country and the low additional debit that would be gained against increased administrative costs.

New Legislation

- 1.5.4 In the November 2017 Budget, the Chancellor of the Exchequer announced the government's intention to legislate to bring the maximum charge for long term empty homes in England up to 200%, with the following statement: 'I want to address the issue of empty properties. It cannot be right to leave property empty when so many are desperate for a place to live, so we will legislate to give local authorities the power to charge a 100% Council Tax Premium on empty properties'.
- 1.5.5 Parliament introduced the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 which inserted sub-sections (1A),(1B) and 1(C) to section 11B, of the Local Government Finance Act 1992 (the 1992 Act).
- 1.5.6 These changes to the 1992 Act enabled local authorities to increase Council Tax Empty Property Premiums at the rates sets out in paragraph 1.5.7 below.
- 1.5.7 a) From 1 April 2019 local authorities now have the power to charge a 100% Council Tax Premium for properties that have been unoccupied and unfurnished for more than two years.

b) From 1 April 2020 local authorities will be able to charge a 200% premium on those properties which have been empty for five years or more.

c) From 1 April 2021 local authorities will be able to charge a 300% premium on those properties which have been empty for ten years or more.

Current position in North Tyneside

1.5.8 In North Tyneside, as at 1 September 2019, the total number of properties that could attract the Council Tax Premium stood at 460. Of those properties 305 have been empty for a period of between 2 and 5 years, 104 properties empty for a period of between 5 and 10 years with 51 properties empty for more than 10 years.

The breakdown of these empty properties by Council Tax band is shown in Table 1 below.

Table 1

	Empty more than 2 and less than 5 years	Empty more than 5 and less than 10 years	Empty more than 10 years	Total
Band A	181	61	38	280
Band B	34	21	6	61
Band C	43	10	5	58
Band D	27	5	2	34
Band E	13	5	0	18
Band F	2	1	0	3
Band G	4	1	0	5
Band H	1	0	0	1
Total	305	104	51	460

1.5.9 If full Council chooses to implement a 100% premium for properties that have been unoccupied and unfurnished for a period in excess of two years but less than five years the following debit would be created, as set out in Table 2.

Table 2

Council Tax Band	Number	Assume 25% removed for active sale	Charge based on 19/20 (£)	Debit (£)
A	181	136	1189.81	161,814
B	34	25	1388.10	34,702
C	43	32	1586.40	50,765
D	27	20	1784.71	35,694
E	13	10	2181.32	21,813
F	2	2	2577.91	5,156
G	4	3	2974.52	8,924
H	1	1	3569.42	3,569
Total	305	229		322,437

1.5.10 If full Council also chose to implement a 200% premium for properties that have been unoccupied and unfurnished for a period in excess of five years a further additional debit would be created, as set out in Table 3 below.

Table 3

Council Tax Band	Number	Assume 25% removed for active sale	2x Charge based on 19/20 (£)	Debit (£)
A	99	74	2379.62	176,092
B	27	20	2776.20	55,524
C	15	11	3172.80	34,901
D	7	5	3569.42	17,847
E	5	4	4362.64	17,451
F	1	1	5155.82	5,156
G	1	1	5949.04	5,949
H	0	0	7138.84	0
Total	155	116		312,920

- 1.5.11 From Tables 2 and 3 the total debit initially created based on the situation as at 1 September 2019 would amount to £635,357. As other local authorities have found some difficulty in collecting the premium, it is prudent to build in an allowance for non-collection. Assuming a collection rate of 85% would reduce the collectable debit to £540,053. Of this debit collected 12.2% would be collected on behalf of Northumbria Police and the Tyne & Wear Fire and Rescue Service as part of their Council Tax precept. This would reduce the North Tyneside Council element of the additional debit to £474,167.
- 1.5.12 The concept behind the introduction of Council Tax Premiums is to encourage owners to bring their long term empty properties back in to use by providing a financial disincentive for absentee landlords or owners to retain on a long term basis empty properties. It is therefore anticipated that if the initiative is successful the amount of additional Council Tax debit created will diminish considerably.
- 1.5.13 The majority of long-term empty properties in North Tyneside are in the lowest Council Tax band (A), often in the more deprived areas of the borough and if brought back in to occupation could be a useful source of more affordable housing.
- 1.5.14 However, the potential benefits of the proposals do need to be considered in the context that in some areas where there may currently be a lower demand for rental properties, some owners may feel forced into letting properties to avoid paying the premium. This in turn could result in property management problems if properties were let to unsuitable tenants.
- 1.5.15 Cabinet may wish to consider proposing that some of the additional Council Tax income gained from introducing the premiums is used to support the initiatives already in place to tackle empty homes in the Authorities Housing and Regeneration Teams.
- 1.5.16 The Empty Homes and Private Sector Housing Officer within the Regeneration Team works with owners of empty properties to identify the most appropriate action to bring such property back in to use. A combination of support, guidance and enforcement can be used to reach a satisfactory result. Additional services provided include referral to the

Authority's Deposit Guarantee Scheme for help setting up tenancies and finding tenants, advice on how to claim back Value Added Tax on renovation works for long term empty properties and how to find a suitable builder and access to other Authority services.

1.5.17 The Authority also operates an Empty Homes Leasing Scheme. This offers owners of long term empty properties the opportunity to voluntarily lease their properties for use as affordable housing. The Authority will repair the empty property, let the property and manage the tenancy as part of the Authority's housing stock. The Authority recovers the refurbishment costs, a management fee and any day to day repair costs through the rental income gained. The scheme is aimed at addressing the issues caused by long term problematic empty properties which require a high level of investment to return them to occupation. The scheme has been successful in procuring 23 affordable housing units (for the Authority and partners) in recent years and will successfully return 18 properties to occupation in the next two years.

1.6 Decision options:

The following decision options are available for consideration by Cabinet:

Option 1

Cabinet agrees that the Authority carries out consultation on the introduction of Council Tax Premiums and that the results of the consultation are brought back to Cabinet for it to consider making proposals to full Council.

Option 2

Cabinet may choose to reject Option 1 and ask that the Service consider an alternative approach.

Option 1 is the recommended option.

1.7 Reasons for recommended option:

Option 1 is recommended for the following reason:

- Consultation as set out at 2.2 of the report will provide an opportunity for residents, landlords and other key organisations to express an opinion on the use of Council Tax Premiums to bring long term empty properties back into use.

1.8 Appendices:

1) Equality Impact Assessment

1.9 Contact officers:

Janice Gillespie, Head of Resource, tel. (0191) 643 5701

Andrew Scott, Senior Client Manager, Revenues, Benefits and Customer Service, tel. (0191) 643 7150

Tracy Hunter, Client Manager Revenues, Benefits and Customer Service, tel. (0191) 643 7150

1.10 Background information:

The following background papers/information has been used in the compilation of this report and are available at the office of the author:

- (1) [Local Government Finance Act 1992](#)
- (2) [The Rating \(Property in Common Occupation\) and Council Tax \(Empty Dwellings\) Act 2018](#)

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

If a decision is made to implement Council Tax Premiums as set out in the report then an initial increase in Council Tax income would be gained in the sum of £474,167 based on figures as at 1 September 2019. If initiatives are successful in bringing empty properties back in to use then the amount received from Council Tax Premiums will reduce accordingly.

Cabinet may wish to consider proposing that some of the additional Council Tax income gained from introducing the premiums is used to support the initiatives already in place, or consider new initiatives, to tackle empty homes.

2.2 Legal

The amendments made to section 11B of the Local Government Finance Act 1992 have been set out in the body of the report and the amendments specify the maximum percentage of Council Tax Premium that can be applied to properties that have been empty for the relevant periods of time as set out in section 11B of the 1992 Act.

Section 67 of the Local Government Act 1992 states that the function of making a determination under section 11B of the 1992 Act - Higher amount for long-term empty dwellings: England - is matter for full Council.

2.3 Consultation/community engagement

Internal consultation has already taken place. If Cabinet agree to carry out external consultation this will be done by

- an online questionnaire
- a discussion with the North Tyneside branch of the National Landlords Association
- presentation at the Community and Voluntary Sector Forum for organisations that offer welfare advice in the borough

2.4 Human rights

There are no human rights implications directly arising from this report.

2.5 Equalities and diversity

An EIA has been carried out and is appendix 1 to this report.

Should Council decide to implement Empty Homes Premium from 2020/21, there would be a negative financial impact on the owners of these properties which remain unoccupied. There is no evidence to demonstrate a disproportionate impact in relation to those who have a protected characteristic.

The potential to incentivise owners of long term empty properties to bring them back into use, should prove positive for those groups more likely to experience housing issues such as younger people, single men and women and single parent families. Therefore this proposal may lead to positive impacts in relation to the Authority's approach to housing and homelessness.

2.6 Risk management

Where owners of long term empty properties feel forced into letting properties to avoid paying the premium, this could lead to some property management issues if properties were let to unsuitable tenants.

2.7 Crime and disorder

The reduction of long term empty properties in the borough may lead to a potential reduction in vandalism and anti-social behaviour associated with these properties.

2.8 Environment and sustainability

There are no environment and sustainability implications directly arising from this report.

PART 3 - SIGN OFF

- Chief Executive X
- Head(s) of Service X
- Mayor/Cabinet Member(s) X
- Chief Finance Officer X
- Monitoring Officer X
- Head of Corporate Strategy and Customer Service X